



Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending - USD(AT&L) Directed Initiatives -

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USD(AT&L)'s Efficiency Initiatives

(5 Major Areas)

- **Target Affordability**
- **Incentivize Productivity & Innovation in Industry**
- **Promote Real Competition**
- **Improve Tradecraft in Services Acquisition**
- **Reduce Non-Productive Processes & Bureaucracy**

**Director, Acquisition Resources & Analysis
will establish tracking system to monitor
progress and compliance**

Target Affordability & Control Cost Growth

Action	Implementation
<ul style="list-style-type: none"> • Mandate Affordability as a requirement 	<ul style="list-style-type: none"> - 15 Nov 2010. Implementation for ACAT I (components to provide implementation schedule for ACAT II and below by 15 Nov 2010) <ul style="list-style-type: none"> ➤ Average unit acquisition cost & average annual O&S cost per unit.
<ul style="list-style-type: none"> - Milestone A: Establish affordability target in context of analysis of resources available in portfolio or mission area - Milestone B: Present SE trade-off analysis showing how cost varies as design and schedule are traded off against each other 	<ul style="list-style-type: none"> ➤ Affordability requirement in ADM and APB ➤ Provide trade-off curves or trade space around major affordability drivers
<ul style="list-style-type: none"> • Drive productivity growth through Will Cost/Should Cost management - 'Should Cost' estimates are based on bottom-up assessments of what programs should cost if reasonable efficiency and productivity enhancing efforts are undertaken 	<ul style="list-style-type: none"> - 15 Nov 2010. Components establish 'should cost' targets as management tools for ACAT I - 1 Jan 2011. Components establish 'should cost' estimates for ACAT II & III programs as they are considered for milestone

Target Affordability & Control Cost Growth

Action	continued implementation
<ul style="list-style-type: none"> • Eliminate redundancy within warfighter portfolios 	<ul style="list-style-type: none"> - <u>1 Oct 2010.</u> OIPT leads recommend list of portfolios, priorities, and schedule for their programs - Components conduct portfolio reviews for selected ACAT II & III programs
<ul style="list-style-type: none"> • Make production rates economical and hold them stable 	<ul style="list-style-type: none"> - <u>1 Mar 2011.</u> Provide one-page report on selection of description of how production portfolios for review and rate & schedule were set results of the reviews <ul style="list-style-type: none"> ➤ Define production rate change limits based on MS A or B affordability assessments ➤ Deviations from limits require
<ul style="list-style-type: none"> • Set shorter program timelines and manage to them 	<ul style="list-style-type: none"> - <u>15 Nov 2010.</u> Schedule USD(A&E) approval prior to implementation <ul style="list-style-type: none"> ➤ Based on affordability trades ➤ Deviation without approval could lead to revocation of

Incentivize Productivity & Innovation in Industry

Action	Implementation
<ul style="list-style-type: none"> • Reward contractors for successful supply chain and indirect expense management 	<ul style="list-style-type: none"> - <u>15 Nov 2010.</u> Incentive strategy behind profit policy, including consideration of breakout where appropriate, in acquisition strategy for ACAT ID - <u>1 Dec 2010.</u> DPAP will review Weighted Guidelines for profit with aim of emphasizing tie between profit and performance
<ul style="list-style-type: none"> • Increase use of FPIF contracts where appropriate using 50/50 share line and 120 percent ceiling as point of departure 	<ul style="list-style-type: none"> - <u>1 Jan 2011.</u> Incentive strategy behind profit policy, including consideration of breakout where appropriate, in acquisition strategy for all programs - <u>Immediately:</u> <ul style="list-style-type: none"> ➤ Consideration of breakout FPIF contracts for efforts moving from development to production ➤ justification for contract type for each proposed contract above \$100M ➤ FPIF contracts with 120% ceiling and 50/50 share ratio should be norm for

Incentivize Productivity & Innovation in Industry, continued

Action	Implementation
<ul style="list-style-type: none"> • Adjust progress payments to incentivize performance 	<ul style="list-style-type: none"> - <u>Immediately</u>. DPAP develop cash flow model and provide guidance for use of preferred hierarchy of innovative financing methods described in the model that considers lifecycle phase of weapon system programs. Emphasis on flow-down provisions to subcontractors as well
<ul style="list-style-type: none"> • Extend Superior Supplier Incentive Program (SSIP) to a DoD-wide pilot • Reinvigorate industry's independent research and development (IRAD) and protect the defense technology base 	<ul style="list-style-type: none"> - 1 Jan 2011: DPAP to establish SSIP pilot programs to use innovative financing methods as a negotiating tool - <u>1 Jan 2011: Components identify SSIP pilot programs to use innovative financing methods as a negotiating tool</u> - <u>Immediately</u>. Components support DDR&E program to reinvigorate IRAD and create other incentives for industry to conduct more defense-related R&D

Promote Real Competition

Action	Implementation
<ul style="list-style-type: none"> • Present a competitive acquisition strategy at each program milestone 	<ul style="list-style-type: none"> - <u>Immediately</u>. One-page competitive strategy for ACAT ID - <u>1 Dec 2010</u>. One page competitive strategy for ACAT IC, II, III and IV - Components report to USD(AT&L) on intent to reduce single-bid competitions <ul style="list-style-type: none"> ➤ Address market research, restricted specs & adequate time for proposal prep.
<ul style="list-style-type: none"> • Increase dynamic small business role in defense marketplace competition 	<ul style="list-style-type: none"> - <u>1 Dec 2010</u>. All competitive and non-competitive procurement actions will Achieve 2% reduction in single-bid competitive contracts in FY 2011, with continuing reductions thereafter. will seek to increase small business participation through weighting factors in past performance and in fee construct

Promote Real Competition, continued

Action	Implementation
<ul style="list-style-type: none"> • Remove obstacles to competition <ul style="list-style-type: none"> – Ensure contracting officers conduct negotiation with single bid offerors – Competition advocates will develop plan to improve competition – Require cost or pricing data on single offers – Require open system architectures and set rules for acquisition of technical data rights 	<ul style="list-style-type: none"> – <u>15 Nov 2010</u>. Component contracting officers conduct negotiations with all single proposal offerors. Basis will be cost or price analysis, as the case may be, using certified or non-certified data cost or pricing data as appropriate. – <u>1 Dec 2010</u>. Component competition advocates will develop plan to improve overall rate of competition at least 2% per year and 10% per year for effective competition – <u>15 Nov 2010</u>. Business Case Analysis due at MS B outlining approach for open systems architectures, and tech data

Improve Tradecraft in Services Acquisition

Action	Implementation
<ul style="list-style-type: none"> • Create a senior manager for acquisition of services in each component, following the Air Force's example 	<ul style="list-style-type: none"> - <u>15 Nov 2010</u>. Components provide plan to establish senior manager for acquisition of services at GO/Flag/SES level <ul style="list-style-type: none"> ➤ Senior manager will be decision authority for services acquisitions valued at less than \$250M.
<ul style="list-style-type: none"> • Adopt uniform taxonomy for different types of services 	<ul style="list-style-type: none"> - <u>Immediately</u>. Use Product Service Code (PSC) categories from Product Service Code Manual
<ul style="list-style-type: none"> • Address causes of poor tradecraft in services acquisition <ul style="list-style-type: none"> - Assist users of services to define requirements and prevent creep via requirements templates 	<ul style="list-style-type: none"> - <u>1 Dec 2010</u>. Components develop plan to strengthen and improve use of market research in order to understand industry's capabilities and pricing strategies. - <u>1 Jan 2011</u>. Components standardize method for acquiring services through development and use of standard templates in

Improve Tradecraft in Services Acquisition, continued

Action	Implementation
<ul style="list-style-type: none"> • Address causes of poor tradecraft in services acquisition (continued) <ul style="list-style-type: none"> - Enhance competition by requiring more frequent re-competes of knowledge-based services 	<ul style="list-style-type: none"> - <u>1 Jan 2010</u>. Components report results of review of length of time knowledge-based service contracts are scheduled to remain in effect before re-compete - <u>1 March 2011</u>. Components provide plan to bring knowledge-
<ul style="list-style-type: none"> - “1-bid” Proposals 	<ul style="list-style-type: none"> - <u>1 Dec 2010</u>. When “1-bid” based services contracts into proposals are received, require closer compliance with a three year limitation pricing and cost data as appropriate. <ul style="list-style-type: none"> ➤ Solicitations receiving only 1-bid, that were open to industry for less than 30 days, are to be re-advertised for a minimum period of an additional 30 days unless a waiver is obtained from the Head of Contracting Activity (HCA).

Improve Tradecraft in Services Acquisition, continued

Action	Implementation
<ul style="list-style-type: none"> • Address causes of poor tradecraft in services acquisition (continued) <ul style="list-style-type: none"> - Limit the use of time and materials and award fee contracts for services - Require that services contracts exceeding \$1B contain cost efficiency objectives 	<ul style="list-style-type: none"> - <u>Immediately</u>. Absent robust competition or lack of competitive history, ensure services acquisitions are pre-disposed toward Cost-Plus-Fixed Fee (CPFF) or Cost-Plus-Incentive Fee (CPIF) arrangements - When robust competition exists, or there is recent competitive history, <u>immediately</u>. Components will ensure services acquisitions are predisposed toward Firm-Fixed Price (FFP) contracts - Ensure that services contracts valued at more than \$1 billion contain provisions to achieve productivity improvements and cost efficiencies throughout the term of the contract
<ul style="list-style-type: none"> • Increase small business participation in providing services 	<ul style="list-style-type: none"> - <u>1 Jan 2011</u>. Components seek opportunities to compete Multiple Award/IDIQ contracts among small

Reduce Non-Productive Processes & Bureaucracy

Component Actions	Implementation
<ul style="list-style-type: none"> • Assess all internal reviews 	<ul style="list-style-type: none"> - <u>15 Nov 2010</u>: Complete assessment of all internal reviews to ensure they focus major acquisition investment
<ul style="list-style-type: none"> • Review acquisition documents for redundancy with OSD - required documents 	<ul style="list-style-type: none"> - <u>1 Dec 2010</u>: Complete review of all component required acquisition documents for redundancy with OSD - required documents and delete redundant and non-value added content
<ul style="list-style-type: none"> • Bottom-up review of all internally generated reporting requirements 	<ul style="list-style-type: none"> - Assess value of reports with goal to eliminate at least 50% - Substantially shorten reports that remain - Immediately. Assign page count caps when lead responsibility for report is assigned

Reduce Non-Productive Processes & Bureaucracy

OSD Actions	Implementation
<ul style="list-style-type: none"> • Reduce number of OSD-level reviews to those necessary to support major investment decisions or to uncover and respond to significant program execution issues 	<ul style="list-style-type: none"> - <u>1 Dec 2010</u>: D, ARA recommend realignment of OSD reviews - <u>1 Nov 2010</u>: DDR&E reorient TRL reviews to original intent & propose mechanism to provide assessments of engineering & integration risks at major investment decisions
<ul style="list-style-type: none"> • Eliminate low-value-added statutory processes • Reduce by half the volume and cost of internal and congressional reports 	<ul style="list-style-type: none"> - <u>1 Mar 2011</u>: D, ARA complete review of all acquisition generated and congressionally mandated reports
<ul style="list-style-type: none"> • Reduce non-value-added overhead imposed on industry 	<ul style="list-style-type: none"> - <u>Immediately</u>: Impose D, Industrial Policy, w/ DPAP, to reasonable page count more fully survey our industrial base
<ul style="list-style-type: none"> • Align DCMA and DCAA processes to ensure work is complementary 	<ul style="list-style-type: none"> - <u>1 Dec 2010</u>: DPAP recommends guidance on roles and responsibilities of DCMA & DCAA
<ul style="list-style-type: none"> • Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs 	<ul style="list-style-type: none"> - <u>1 Oct 2010</u>: DPAP tasks DCMA to be responsible for all FPRRs

Other Actions

Action	Implementation Comment
<ul style="list-style-type: none"> • Establish tracking system to monitor progress and compliance 	<ul style="list-style-type: none"> - ARA will establish tracking system to monitor progress and compliance. Expected to be web-based and updated by responsible action offices
<ul style="list-style-type: none"> • Review DoDD 5000.01 & DoDI 5000.02 for required changes and determine any other statutory and regulatory requirements needed to 	<ul style="list-style-type: none"> - 15 Oct 2010: DPAP take action and coordinate with ARA to ensure no duplication of effort.
<ul style="list-style-type: none"> • Review acquisition policy, implement the 23 initiatives training curriculum and revise as appropriate to ensure efficiency initiatives are reflected in the DAU curriculum 	<ul style="list-style-type: none"> - 1 Jan 2011: DPAP take action with DAU